



October 5, 2001

1312 East Empire Street  
ILLLARA  
Bloomington, IL 61701

**PROPRIETARY**

Mr. James Zolnierrek  
Telecommunications Division  
Illinois Commerce Commission  
527 East Capital Avenue  
Springfield, IL 62794-9280

Dear Mr. Zolnierrek:

Attached is Verizon's response to Staff's Data Request JZ5.10 in reference to Illinois Commerce Commission (ICC) Docket 00-0812. Please note that this response has been provided under a separate cover letter due to its proprietary nature. The above Data Request response has been completed and forwarded via Airborne.

Please contact Greg Smith at 309.663.3345 or me at 309.663.3124 if you have any questions.

Very truly yours,

*James R. Hargrave* <sup>DC/M</sup>  
James R. Hargrave  
Assistant Vice President  
Public Policy & External Affairs

**OFFICIAL FILE**

ILL. C. C. DOCKET NO. 00-0812

Verizon EXHIBIT No. 14

Witness \_\_\_\_\_

Date 8-7-02 Reporter lyb

Attachment

c: Distribution

October 5, 2001  
Letter to James Zolnierak  
VZ'S RESPONSE TO Staff's DR Nos. JZ5.10  
IN PHASE I IN ICC DOCKET NO., 00-0812

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**PROPRIETARY**

# ILLINOIS COMMERCE COMMISSION

## DATA REQUEST

### REQUEST NUMBER JZ 5.10

Requested of Company Representative: James R. Hargrave

Company: Verizon North Inc. and Verizon South Inc. ("Verizon")

Docket No.: 00-0812

Date Submitted: 9/14/01

Date Response: 10/05/01

**JZ 5.10** In Attachment B to Verizon's response to Staff Data Request JZ 4.1-4.12 Verizon provides a cost comparison, comparing "Actual" and "SCIS" costs. Please provide the following explanations of this table.

- A. Please explain what input prices were used to develop the \$191,564 reported as "Amount Modeled In SCIS".
- B. Please explain how the input prices reported in response to A) match the input prices, such as vendor contracts, provided as support for the ICM model.
- C. Please explain why if the "Amount Actually Paid the Vendor" includes site specific RTU fees that allocated RTU fees have been added. Please include in this portion of your response an explanation of the difference between site specific RTU fees and allocated RTU fees and whether these two RTU fees are redundant. (Staff notes the response to JZ 4.4, but requests clarification.)
- D. Please explain the "Discount Factor" of 86.2%. Fully explain how this figure was developed. In explaining your answer please explain what relevance the \$990,971 figure has or what it represents (i.e., is the \$990,971 some sort of actual vendor price before Verizon specific discounts?).
- E. Please explain the "Discount "Factor" of 79.86%. Fully explain how this figure was developed.
- F. Please explain the relationship between the "actual" Discount Factor of 86.20% and the "SCIS" Discount Factor of 79.86%.
- G. Please explain the "Adjusted to Same (realized) Discount adjustment.
- H. For each step presented in the SCIS column, please indicate whether that step is a SCIS model calculation, an ICM model calculation, or is not included in the model, but presented here for illustration purposes only.

Provided by: James R. Hargrave

Job Title: Director – Regulatory & Government Affairs

Telephone: (309) 663-3124

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### RESPONSE

- A. The "Amount Modeled in SCIS" is the total investment from SCIS minus the allocated RTU fees that were added to the Getting Started Investment. The input prices are the SCIS list-prices, discounted to reflect the Nortel Service Ready II contract.
- B. See the response to part A.
- C. The two sets of RTU fees are not redundant, and relate to different switch features and capabilities. The RTU fees identified as "site-specific" are unique to the specified switch. As explained in the footnote to Attachment B, the RTU fees that appear in row 33 of Attachment B are incurred under a national contract and are allocated back to each switch in Verizon's national network, according to switch type, both in the model and on the Company's books. To do otherwise would understate the cost of the switch.
- D. The 86.2% discount was calculated as the discount from the unadjusted SCIS list prices, for the model switch size that would apply to this CLLI code, under the Nortel Service Ready II contract. The \$990,971 is calculated by dividing the total switch investment and RTU fees (excluding the RTU fees incurred under the national contract explained in Footnote 1) by 1 minus the discount factor. This amount represents the cost of the switch if no discount were applied. Again, this amount excludes the RTU fees incurred under the national contract – note that the discount is not applicable to these RTU fees.
- E. The Average Discount factors that reflect the different discounts that vendors offer within their product lines, are calculated as the ratio of the quoted total switch cost for all eight of the line size models for the 5ESS central office switch and DMS-100 central office switch and five

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size models for the DMS-10 central office switch, to the non-discounted switch costs from SCIS.

- F. The actual discount factor is a site-specific discount based upon the SCIS output at zero discount and vendor invoices. The SCIS discount factor is an average discount.
- G. The "Adjusted to Same (realized) Discount" adjustment produces an estimate of the SCIS modeled switch investment that is on the same footing as the investment in the "Actual" column. It accomplishes this by multiplying the SCIS investment calculated as if no discount applied (row 30) by one minus the realized discount for this CLLI. To this amount is added the RTU fees which are incurred under national contract. Once the actual and SCIS investments are put on the same footing, it is seen that the SCIS investment is 3.4 percent below the actual.
- H. The information and calculations presented in the SCIS column are presented here to illustrate a proper comparison of modeled and actual switch costs. While none of the calculations appear in SCIS or in ICM, they are consistent with the inputs and outputs of the two models.

Provided by: James R. Hargrave  
Job Title: Director – Regulatory & Government Affairs  
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